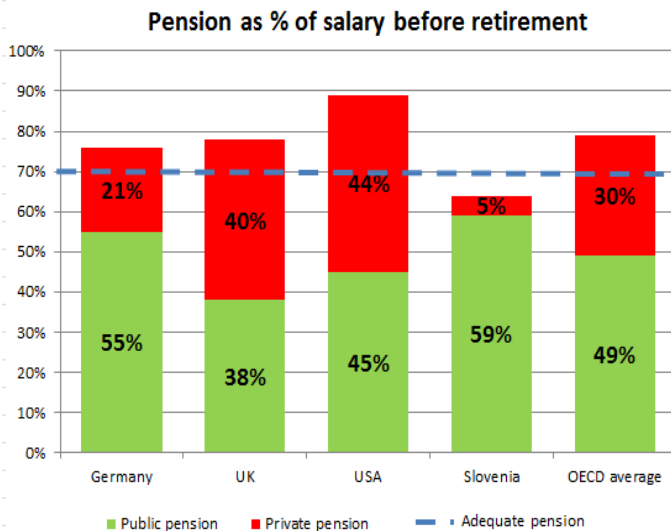


Slovene pension system and Pokojninska družba A, d.d. pension fund overview

Slovene pension system

The Slovenian pension system is a three-pillar system, with the dominant role still played by the first, public pillar. This part of the system is mandatory. Benefits are calculated in line with the pay-as-you-go mechanism and financed through contributions paid by employees. According to the new pension law, the ratio between pension and salary is set at 57.25%, but all calculations predict that this percentage will hold only until 2022. Then, due to demographic trends, the public pension will be slowly decreased to 50% of net salary, which will not be sufficient for decent living in retirement.



The average net public pension replacement rate in OECD countries is for a median earner only 49% of net salary before retirement. But combined with an additional 30% net replacement rate from private pension insurance (company pension), the average employee can count on receiving pension benefits of 79% of his net salary, which is above the 70% replacement rate that is by rule of thumb the measure of an adequate pension.

The average public pension net replacement rate in Slovenia is 59% and is far below the levels of adequate pensions (70%). Due to the slow development of the second pension pillar, private pensions in Slovenia add today on average only 5% to the public pension. Differences between employees of companies that have provided occupational pension plans from their start in 2001 and those who have not are getting bigger by the year and, on average, an employee that has been in an occupational pension plan since 2001 and will retire in 2019 will have a 15% higher pension. In 2018 more than 530.000 employees are already enrolled in the second pension pillar.

Voluntary occupational pension plan

The second pillar (voluntary occupational pension plan) is in Slovenia represented by pension funds mostly financed by employers and supported by the state with tax incentives.

The voluntary occupational pension plan is a form of saving for old age by which the insured person or the employer finances a monthly or yearly premium. The interest for the premium is paid on the achieved yield. At the time of retirement, a life insurance policy with a life annuity is bought with the funds on the account. On the basis of this policy, an additional monthly pension is paid out to the insured person until their death.

The employer can adopt different versions of pension schemes in which all premium is financed by the employer or only part of the premium is financed by the employer and the other part by the employee (so called company match). Because of tax incentives, the employee can finance his contribution from his gross salary, meaning his net salary is reduced by approximately only half of the contribution.

Tax incentives

The monthly premium of up to 5.844% of gross salary is tax deductible. For the premium financed by the employer or employee, taxes and contributions from the premium are not charged and the premium reduces the profit taxable base of the company. The premium is not regarded as a salary payment.

Life-cycle investment policy

Changes in the legislation enabled pension funds in Slovenia to introduce in 2016 to its member an alternative option of investment policy that is represented by Life-cycle funds. Pokojninska družba A established a new pension fund that comprises three sub-funds with different investment policies. Each member will be able to choose a sub-fund according to his age that will provide him with an optimal investment policy according to his age. Then an individual will be automatically transferred as he ages between the sub-funds from a more dynamic in his youth to a more conservative, thus providing an optimal balance between risk and yield.

High Equity Exposure fund (Equity) - This fund is suitable for persons under 42 years of age. The fund's goal is to keep 70% of the funds invested in equities and 30% in bonds. To a lesser degree, the money in the fund may also be invested in bank deposits, promissory notes and non-listed money market instruments. No less than 15% of the fund's investment portfolio consists of low-risk investments.

Medium equity exposure fund (Balanced) - This fund is suitable for persons under 55 years of age. The fund's goal is to keep 25% of the funds invested in equities and 75% in bonds. To a lesser degree, the fund may also invest in bank deposits, promissory notes and unlisted money market instruments. No less than 60% of the fund's investment portfolio consists of low-risk investments.

Guaranteed return fund - This fund is suitable for members of all ages. The fund's goal is to keep 10% of the funds invested in equities, 10% in real estate and 80% in bonds. The fund may also invest in bank deposits, promissory notes, unlisted money market instruments and real estate. No less than 70% of the fund's investment portfolio consists of low-risk investments. The sub-fund provides guaranteed minimum yield. The investment goal of the life cycle guaranteed fund is to reach at least the guaranteed rate of return on investment in the amount of one-half of the average rate of return, calculated using the methodology for calculation of the minimum guaranteed rate of return prescribed by the minister in charge of finance (0,61% in 2018).

Fund performance

	2016	2017	2018
High Equity Exposure fund	+14,07%	+4,44%	+1,15%
Medium equity exposure fund	+4,07%	+3,32%	-3,89%
Guaranteed return fund	+3,27%	+2,49%	-7,00%

Pokojninska družba A, d.d. company overview

Pokojninska družba A, d.d. pension fund was established in 2001 by a group of large and successful companies in order to insure their employees and the employees of other companies in the most economical and safest manner and to provide them adequate income in retirement. The ownership of the company is dispersed between 22 corporate shareholders with no shareholder owning more than 15% of the company. We operate supplemental pension insurance exclusively for corporate and individual members. The main policy of our pension fund is "partnership for the benefit of our members" which has been the foundation of the fund ever since the start in 2001.

Credit rating – D&B rating 3A1

References – more than 50,000 members and more than 300 million euros under management

The company meets the requirements of the ISO/IQNet 9001:2015 management system and is the pension fund of choice for many of the Slovene blue-chip companies.

Corporate clients:

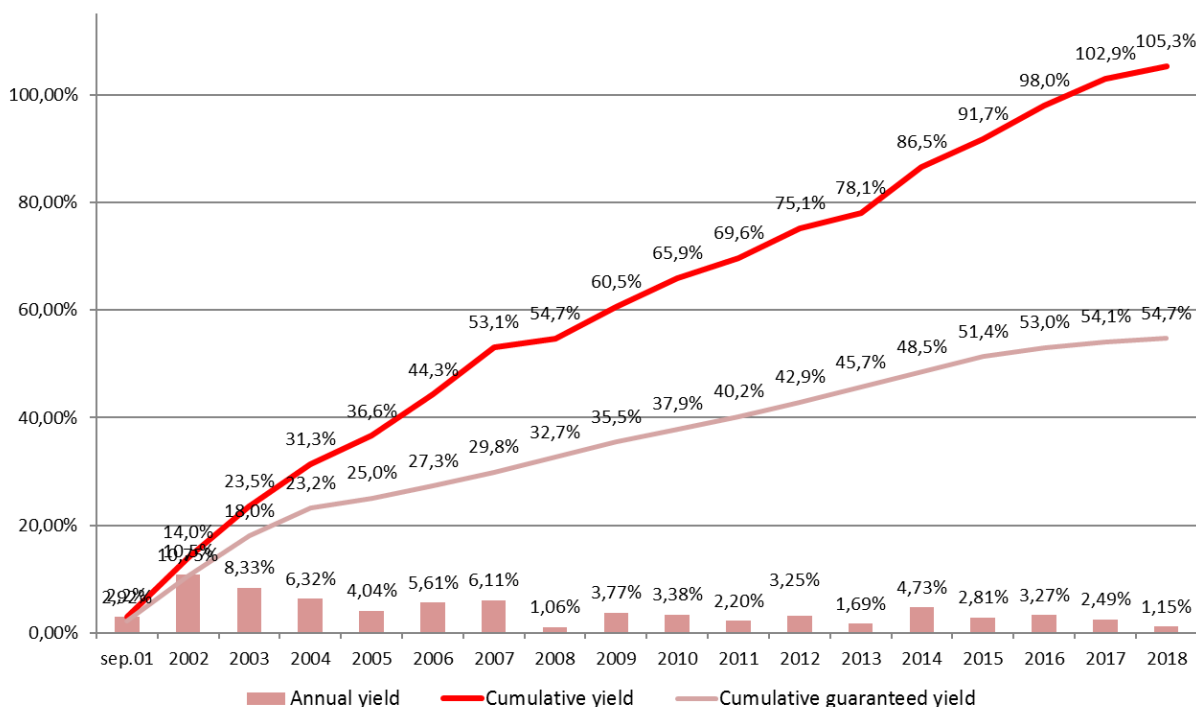


Pension fund performance

The Guaranteed return fund of Pokojninska družba A, d.d. has a positive investment track record of more than 18 years and delivered to its members positive yield every year.

Fund performance (Sep. 2001 – Dec. 2018) – cumulative yield 105,3%, avg. annual yield: 4.2%

The fund provides guaranteed minimum yield (defined as 50% of the average annual interest on Slovenian government bonds which is 0,61% in 2018).



Additional contact & information

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